



## SPAIN'S AIRPORT GROUND SUPPORT EQUIPMENT SECTOR

Rosa Aguila  
Commercial Service Spain  
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### **SUMMARY**

The European aviation sector as a whole is being restructured to meet world standards, and therefore most major airports in Spain are undergoing substantial changes and improvements. AENA -- Aeropuertos Espanoles y Navegacion Aerea (Spanish Airport and Civil Aviation Authority) -- is the public enterprise authority that operates and manages Spain's 47 airports (they also manage 13 airports in Latin America). Following its Master Plan for 2001-2007, AENA is investing nearly \$10 billion to renovate and expand many of the nation's airports. This will reach \$20 billion to 2020, according to the recently revised Master Infrastructure Plan of the Government of Spain. Despite recent crises (September 11, the Iraq conflict, Asiatic flu, the March 11 bombings in Madrid) air traffic in Spain continues to increase and the industry as a whole continues to grow, indicating the need for more airport ground equipment to support the expansion. In 2004 the airport ground support (APG) market in Spain was \$182 million and is expected to reach \$200 billion by the end of 2005.

Spain's flag carrier Iberia traditionally carried out airport handling services. However, on January 1994, AENA was forced by European Union directives to allow other airlines to compete with Iberia. This opened up the market for companies that offer handling services for the new local airlines (Air Europa, Spanair, Vueling). Liberalization has resulted in increased international competition, with ticket prices down an average of 15 percent. More airlines, new airport handling companies and sustained investment in airports can only mean more business to airport ground support equipment manufacturers. This sub-sector comprises a wide range of equipment. This report is mainly focused on those products most affected by the current restructuring and development of Spain's airports, including air-conditioning units, aircraft jacks and movement equipment, luggage conveyor belts, and passenger boarding bridges.

## **MARKET HIGHLIGHTS & BEST PROSPECTS**

### **Market Profile**

Airports face the difficult challenge of servicing a growing number of clients while looking for new sources of revenue to finance expansion and modernization projects.

In Spain, the aviation industry has changed dramatically in the last decade due to privatization of air carriers, liberalization of ground handling services, and increased pressure to dedicate more resources to fighting noise pollution. The Spanish market for airport ground support equipment is large and expected to expand at a considerable pace into the near future.

Despite the the recent events mentioned above, more than 164 million passengers traveled through Spain's 47 airports in 2004 and the forecasted number for the end of 2005 is 165 million. Of that, almost 95 million were international travelers, an increase of 7 percent compared to 2003 figures

Regarding cargo, during 2004 Spanish airports moved nearly 654,000 tons of commodities. More than half of this, nearly 343,000 tons, arrived through Madrid-Barajas airport. Barcelona-El Prat ranked second with 90,000 tons, still far from its new cargo center capability of 500,000 tons of commodities a year.

AENA's operating revenues are about \$1.8 billion. Its seven centers control almost 2.4 million flight movements and the annual investment rate in airport infrastructures averages \$1.6 billion. The agency is currently sponsoring a complete renovation of Madrid's Barajas International Airport, which started in 1997. This expansion will be in full operation by 2007, with a total cost of US\$1.86 billion. By then the airport will have capacity to handle 70 million passengers a year and as many as 600,000 take-offs and landings. This expansion will accommodate increasing air traffic until a new airport is completed in Campo Real, around 2016. The tender for the project of the new terminal was awarded to a partnership between the architectural firms Richard Rogers Partnership (UK) and Estudio Lamela (Spain) and the engineering firms TPS (UK) and Initec (Spain). The main components of the design include parking facilities, a terminal building and a satellite or midfield terminal building, totaling one million square meters. The design team was also required to incorporate automatic baggage handling systems, automatic people movers to connect the terminal with the satellite, and a train and metro station.

AENA is also undertaking major improvements and expansion at the Barcelona-El Prat airport, currently the second largest in Spain with traffic of 24 million passengers in 2004. Its third runway and a new fire and emergency building were inaugurated in September 2004, and improvements in Terminal B and enlargement of Terminal A are already operational, but the expansion plans continue and the goal is to build another runway, a satellite terminal building similar to the one in Madrid Barajas airport and cargo and service areas that aim to be increase capacity to 40 million passengers by 2015.

Other projects currently undertaken include:

Construction of new airports in Burgos, Monflorite-Alcala (Huesca), Logrono-Agoncillo and Albacete

Renovation of Ceuta's heliport.

Information on public tenders and registration for suppliers is available on line from aena's website at <http://contratacion.aena.es/contratacion/principal>. Some recently published public tenders include:

Equipment for the passport control area at the Ibiza airport  
Renovation of the heating system at the San Sebastian airport  
Renovation of the lighting system at the Tenerife Sur airport  
Purchase of security equipment for the Melilla airport

The adaptation of all national airports to European Union norms is an ongoing project for AENA's infrastructure department.

On January 1, 1998, the first phase of a 1994 European Union directive liberalizing ground handling services in EU airports went into effect. The full force of the directive was applied in 2001. Airport managers such as AENA no longer enjoy a quasi-monopoly over the provision of services which range from passenger processing to flight operations follow-through to pushing and guiding of aircraft around terminal areas. Some large Spanish firms (mainly construction and energy groups) have created new divisions and formed mergers to develop this new market of opportunity.

One of the most influential events in the Spanish aviation industry in recent years was the privatization of the former government-owned flag carrier Iberia. Iberia consists of 200 planes that fly to more than 100 domestic and international destinations and accounts for 65 percent of the total air traffic in Spain. Liberalization of the airline happened in accordance with the European Union's "Open Skies" policy, adopted in April 1997. The privatization took place in three phases, controlled by the Society of Industrial Participation (SEPI), the government's controlling entity for public enterprises.

The first stage of the privatization process occurred when British Airways (BA) and American Airlines (AA) bought into Iberia through a joint venture called "Newco." Newco received 10 percent of the capital, but their entrance was balanced by Spanish investments. Caja Madrid and BBV were chosen as the principal financial investors. Other companies selected were El Corte Ingles, Tabacalera and The Ahorro Corporacion. The Spanish companies supply the financial backing for Iberia, while BA and AA provide technological support. Together, these companies own 30 percent of Iberia. In 2001 the privatization process finished when Iberia's shares were made available to private investors through an Oferta Publica de Venta de Acciones (public tender of shares in the stock market).

Despite the obvious need for airport expansion, many people who live in surrounding areas are opposed to construction because of the increased noise and air pollution in their neighborhoods. They demonstrated their displeasure by holding protest marches that occasionally made the evening news. So far, the Spanish government and airport officials insist the expansion will come with the proper environmental considerations. These conditions will no doubt lead to an increase in demand for environmental equipment including noise verification and control systems, water filtration, and fuel and waste disposal equipment.

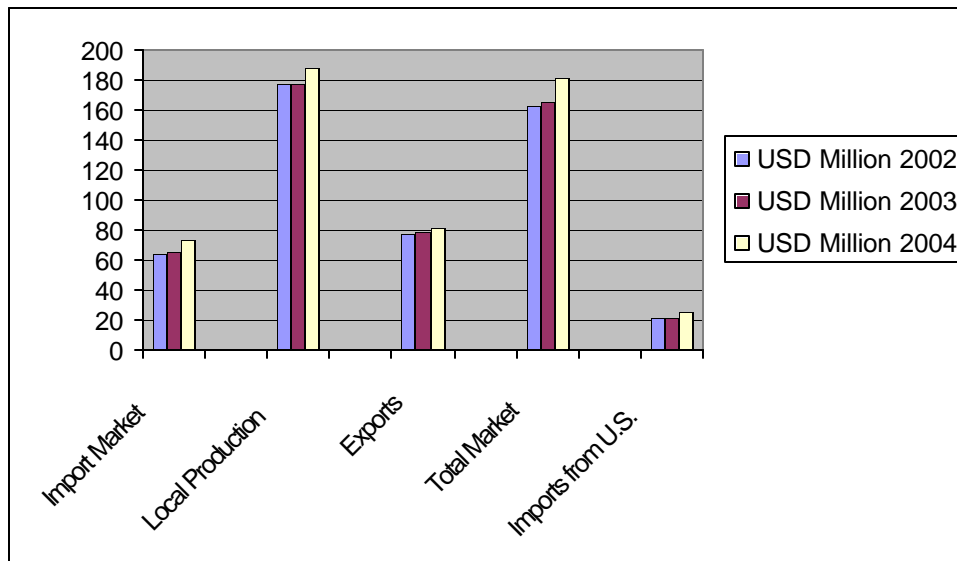
### Statistical Data.

There are no specific official statistics for the category Airport Ground Support Equipment. Most items included under this category are not exclusively used for airport ground support equipment, but are also used in other transportation or industry segments. The following chart shows estimates based on HS codes for best sales prospects.

**Table: 2002-2004 Basic Market Data – \$ Million**

	2002	2003	2004
Import Market	64	66	75
Local Production	177	178	188
Exports	78	79	81
Total Market	163	165	182
Imports from U.S.	22	22	26

**Graph: 2002-2004 Basic Market Data- \$ Million**



Future Inflation Rate Assumed: 3%

2003 Import Market Share:

U.S.: 35%; European Union: 60% (Germany, United Kingdom, Sweden and France).

## **Best Sales Prospects**

In general terms, there are good prospects for almost all APG equipment. Demand is highest for the following equipment:

<b>HS Code</b>	<b>Description</b>
8415.81	Air conditioning units
8426.99	Container/pallet dollies
8426.99	Container/pallet loaders
8426.99	Lifting machinery, nesoi
8426.99	Elevating lounes
8501	Power units
8705.9	Catering vehicles
8705.9	Oxygen/nitrogen trucks
8716	Passenger boarding bridges

## **COMPETITIVE ANALYSIS**

### **Domestic Production**

The Spanish production of airport ground support equipment is generally considered by trade sources to be well equipped to meet normal requirements for low technology items.

Three Spanish companies, Ros Roca, TEM Gorris and Team, dominate the local manufacturing industry. Ros Roca and TEM Gorris manufacture unsophisticated ground support equipment such as forklifts, dollies, baggage carts, and pallets. Trucks and transfer buses are also manufactured in Spain and are competitive with foreign-made products. The Spanish company Team is the only local firm that produces passenger-boarding bridges, and holds 70 percent of the local market.

### **Third Country Imports**

Imports reached \$75 million by the end of 2004. The average annual growth rate over the next three years is estimated at 10 percent. As Spain's aviation market recovers and continues to grow, demand for airport handling equipment will also increase.

The market for imports is, and will remain, very open because local technology cannot keep up with the demand for high-tech products.

Trade sources say Spain's EU counterparts are the strongest foreign suppliers in the market, with Germany, the United Kingdom, Sweden and France occupying the most prominent positions.

Prominent third country suppliers include companies such as: Sehoff (Germany), Altas Copco (Sweden, established with a local subsidiary), Douglas Equipment (U.K)

and Vestergard Company (Sweden). In the boarding bridge segment, Thyssen (Germany) is importing components into Spain and assembling them locally.

### **U.S. Market Position**

U.S. made airport support equipment enjoys a good reputation in this market. The current U.S. share of Spain's imports is approximately 35% percent. U.S. firms are expected to gain market share over the next several years.

- FMC Airport Systems Jetway is the largest U.S. supplier of APG equipment in Spain. They have a manufacturing plant in Alcala de Henares and operate under the name FMC Airline Equipment Europe. They supply equipment such as passenger boarding bridges; ground power units, potable water units, preconditioned air units, and drawbar pull units.

- Enerpac - Applied Power International, is also established in Madrid (Alcobendas) and supplies ground power units.

- Parker Hannifin España, a subsidiary of Parker Hannifin International, supplies hydraulic and pneumatic loading systems, and has offices in Torrejón de Ardoz (Madrid)

Other well-known U.S. brands imported into Spain are: Tug Manufacturing Co. and Stewart & Stevenson. Receptivity for U.S. products in this sector is high as industry representatives are aware of the quality, durability and price advantages of American products.

### **END USER ANALYSIS**

AENA (Spanish Airport and Civil Aviation Authority) is the state-owned company that manages Spain's 47 commercial airports. End-users of airport handling equipment in Spain can be divided into three major groups: 1) AENA, 2) handling companies, and 3) air carriers.

AENA had control over the ground support equipment market for decades. After being forced to comply with EU liberalization directives, the agency is slowly awarding licenses to other companies, yet remains the most prominent end-user of such equipment. They own CLASA (Centros Logísticos Aeroportuarios), which specializes in cargo handling and operates in Madrid-Barajas and Barcelona-El Prat

A second group of end-users consists of handling companies. It is very common that firms will form a "UTE" -- Union Temporal de Empresas (Temporary Partnership of Firms) -- to provide handling services at airports. The leading company in this sector is Servisair/Globeround, which belongs to the French group Penauille Poly Services and provides handling services in all major Spanish airports. In order to continue expanding their presence in Spanish airports Servisair/Globeround reached an agreement with the Spanish firm SaCyr Vallehermoso in 2005. They currently operate in 25 airports and directly employ 300 people plus contractors. Globalia Handling operates in 16 Spanish airports through their companies Air Europa Handling (land services for Air Europa air carrier in Alicante, Ibiza, Madrid, Mahon, Palma de Mallorca and Tenerife), Euro Handling (which operates in Las Palmas and Barcelona) Iber Handling (second operator in Bilbao, La Rioja, Santiago de Compostela, Sevilla and Valencia). The large Spanish corporation Fomento de

Construcciones y Contratas (FCC) established Flightcare, an alliance of eight independent handling companies, which operates in Europe and America. Acciona (whose main shareholder is Grupo Entrecanales, a large construction and energy holding company belonging to the Entrecanales family), operates not only in Spanish airports but also in German airports.

The last group of end-users is airlines that take care of their own baggage services and handling equipment. American Airlines uses American Ground Services (AMR) to supervise their ground handling needs. AMR hopes to expand their presence in the Spanish market, but is limited by the long and difficult bidding process

## **MARKET ACCESS**

### **Import Climate**

Import regulations in this sector can be reasonably met. Product certification (homologation), if applicable, usually takes place in the country of origin by way of self-certification. All non-EU member suppliers must comply with a 1.7 to 2.7 percent external tariff. In addition, up to 20 percent Value Added Tax (IVA) is applied to all airport handling equipment, regardless of origin.

Spanish and EU legislation mandates that all electrical and electronic equipment manufactured, imported, sold or operated in the EU conform to the Electromagnetic Compatibility Directive (EMC), 89/336/EEC. Information on compliance with the EMC directive is available from the National Institute for Standards and Technology, U.S. Department of Commerce, Gaithersburg, MD 20899.

Spain's standard for electrical power is 220 volts, 50 Hz AC.

Detailed information on public tenders for airport handling equipment can be obtained from Spanish Airport and Civil Aviation Authority, AENA. (See their web page at <http://contratacion.aena.es/contratacion/principal>)

### **Distribution/Business Practices**

Until April 1997, AENA was the sole proprietor of airport handling equipment and therefore controlled all distribution channels. Now, with increased competition, sales follow a more traditional pattern. Entering the Spanish market is best done in association with established importers/distributors. These experienced importers/distributors are able to take care of importation, promotion and distribution with far fewer complications than an importer who is new to the market. Additionally, their assistance is usually needed in bidding and tendering procedures and in maintaining close contacts with local customers for after-sales follow-up.

Attending international aviation trade fairs is a good means for establishing contacts in the industry and making personal contact with possible business partners within AENA and Spanish airlines.

The majority of Spanish businesspeople prefer to do business in person, often placing more importance on the personal relationship that may develop than on the business deal that may ultimately be worked out. Many businesspeople in this

sector, like businesspeople in the majority of Spanish industries, say it is easier to work out a business deal with someone you know personally.

American companies interested in breaking into the market for the first time should make a special effort to visit Spain periodically. They should be prepared to provide company/product information in Spanish, since businesspeople in the sector view this as a sign of genuine, long-term interest in the market. Including technical instructions for installation, operation and maintenance of equipment pieces is also important.

**Representation Agreement:** In general a Representation/distribution Agreement is governed by the conditions agreed upon between the parties. Spain applies the "freedom of contract theory" by which the contracting parties may establish any stipulation, condition or undertaking provided that it does not violate Spanish law, morals or public policy.

Additional information on marketing U. S. products and services in Spain is contained in the "Country Commercial Guide" for Spain, which is available through U.S. Export Assistance Centers and at the website <http://www.buyusa.gov/spain/en>

### **Financing**

This industry sector is accustomed to working with 60 to 90 day letters of credit. It is common for importers/distributors to request a delayed payment plan when working with manufacturers. The structure of the delayed payment plan depends on the relationship that is developed between the importer/distributor and the manufacturer. "Cash against goods" and "cash against documents" methods are also widely used by parties who have previous trading experience.

### **Trade Promotion Opportunities**

There are no specific trade shows in Spain for this particular sector, but most Spanish professionals within the industry attend the biannual European show Inter Airport Europe.

Inter Airport Europe  
Munich Airport  
Bavaria, Germany  
October 11-15, 2005  
<http://www.interairport.com/europe>  
Nicola Hamann  
Exhibition Manager  
Mack Brooks Exhibitions  
Forum Place, Hatfield, Hertfordshire AL10 0RN, England  
Tel. 0044 1707 278 200  
Fax 0044 1707 278 201  
e-mail: [europe@interairport.com](mailto:europe@interairport.com)

### **General Information**

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market information, assessment of a U.S. firm's product sales potential, identification of potential representatives, individual counseling, trade missions, setting up appointments with screened firms, etc.

For additional information on the products and services provided by CS Spain, we invite you to contact our web site: [www.buyusa.gov/Spain/en](http://www.buyusa.gov/Spain/en)

For the Airport Ground Support Equipment sector, related questions, and information, feel free to contact:

Rosa Aguila, Trade Specialist  
Tel: 34-932802227, ext. 209  
Fax: 34-932057705  
E-mail: [Rosa.Aguila@mail.doc.gov](mailto:Rosa.Aguila@mail.doc.gov)

Other web pages: <http://www.embusa.es>, <http://www.export.gov>

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